

# STATE SCHOOL AID UPDATE

Michigan Department of Education



October 2006

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## **OCTOBER 20 PAYMENT IS THE FIRST INSTALLMENT FOR FY2007**

The first in the 11-payment schedule of school aid payments for FY 2007 is being made on Friday, October 20. The payment reflects a \$210 increase to the per pupil foundation grants. Following immediately below are the data, estimates and assumptions used specifically for the October payment.

**Taxable value** figures used in the calculation of the Section 20 and Section 22a state per pupil amounts are the initial tax year 2006 figures provided by the county treasurers via the web based reporting system. These data can be viewed by school district personnel on the Department's website. The URL is <http://mdoe.state.mi.us/taxvalue>. To view your data click on "Public Access," and then choose your district code and the applicable tax year from the drop down menu.

**Questions concerning the taxable value figures should first be directed to the appropriate county treasurer.**

The **membership blend** used to calculate the October payment is an **estimate**. For traditional public school districts and intermediate districts, the figure used in place of the September 27, 2006 pupil count (which has not yet been received) is the September 28, 2005 count. For public school academies, a preliminary pupil count is being used which was reported on the form DS-4898. These estimates will be replaced by the actual (unaudited) counts, due to the Center for Education Performance and Information (CEPI) by November 15. Questions concerning **membership** should be directed to Joellen Wonsey in the Office of State Aid and School Finance at (517) 373-3352 or [WonseyJ@michigan.gov](mailto:WonseyJ@michigan.gov).

A few **categoricals** have been "rolled over" for the October payment, meaning that the beginning FY 2007 allowance amounts are identical to the amounts awarded in FY 2006. These amounts may be refined and adjusted as the payment year progresses. **"Rolled over" categoricals** include: Court Placed Pupils (24), ISD Center Program FICA & Retirement (51a(8)), Vocational Education (61a(1)), Vocational Education Administration (61a(2)), and Isolated District Grants (22d). **Categoricals with updated allocation amounts** include: School Lunch (31d), Michigan School Readiness Program (32d), Special Ed Rules Changes (51a(6)), Math/Science (99) and Special Education (53a). The FY 2007 **Adult Education** (107) capped allowances have been calculated and paid out in the October payment. Those districts that notified the Department of Labor and Economic Growth (DLEG) that the district intends to continue to operate its individual programs or the district intends to continue to operate as the fiscal agent for the same consortium members will see a 12.5% increase in the capped allowance from 2005-2006. Those districts that let DLEG know that the consortium split will see a 12.5% increase in the individual district's portion that made up the capped allowance in 2005-2006. Those districts that DLEG granted permission to begin a new adult education program will see the amount that DLEG stated would be the district's capped allowance for 2006-2007. Questions on the Adult Education payment calculation can be directed to Joellen Wonsey at (517) 373-3352 or [WonseyJ@Michigan.gov](mailto:WonseyJ@Michigan.gov). Questions about Adult Education program operations should be directed to Diane Duthie in the Adult Education Office at the Department of Labor and Economic Growth at (517) 373-8800 or [DuthieD@Michigan.gov](mailto:DuthieD@Michigan.gov).

**Prior Year Adjustments** in the October payment include (but are not limited to) restoration of FY 2006 deductions in At-Risk (31a) for districts whose FY 2006 annual reports were received by September 30. Also, prior year adjustments that result from updated pupil counts and/or taxable value figures are included in the October payment. Please note that, in general, prior year adjustments are made at 100% when they first appear (rather than in "installments" spread over the payment year).

## **GENERAL INFORMATION REGARDING FY 2007 SCHOOL AID**

Enrolled Senate Bill 1095 was signed by the Governor on August 15, 2006 and enacted into law as P.A. 342 of 2006. Pursuant to language in P.A. 342, the current year **foundation allowance** for FY 2007 is equal to the FY 2006 foundation plus \$210 for all districts. ("Hold Harmless" districts continue to have a 20j per pupil amount equal to \$1,423 minus the sum of the increases in the district's foundation since FY 1999.) The FY 2007 basic foundation allowance is \$7,085. The maximum foundation allowance for a Public School Academy (PSA) is \$7,385. In addition to the per pupil foundation, P.A. 342 includes a new **Section 22c Equity Payment** categorical that allocates up to \$23 per pupil to districts with FY 2007 foundation grants (including the Section 20(19) adjustment) below 7,360. The equity payment is calculated as the lesser of \$23 or the difference between \$7,360 and the district's FY 2007 foundation grant. No application is necessary. Eligibility will be determined by the department based on data submitted to the CEPI.

The **Section 22a Proposal A** state amount per pupil is calculated as the district's FY 1995 foundation allowance minus the FY 2007 local revenue per pupil. The denominator used for the local revenue is the total state aid membership (both general education and special education pupils). The Section 22a per pupil amount is multiplied by the district's total FY 2007 blended membership to generate the Section 22a payment amount.

The **Section 51c Special Education Headlee Obligation** payment is equal to the district's FY 2007 special education instructional costs multiplied by .286138 plus the district's special education transportation costs multiplied by .704165. Keep in mind that **prior year cost numbers are used as estimates** until actual cost figures are obtained, at which time adjustments are made.

Continuing the payment mechanism that began in FY 2001, rather than making foundation allowance and special education payments under Section 20, 20j, and 51a, the amounts calculated under those sections determine the payment amounts under Section 22b. After making payments under Section 22a and 51c, the **Section 22b Discretionary Payment** is paid, which is equal to the sum of the amounts calculated under Sections 20, 20j, 51a(2), 51a(3), and 51a(12) minus the amounts paid in 22a and 51c. The formulas used in the calculations under 20, 20j, 51a(2), 51a(3), 51a(12) have not changed for FY 2007. There is no Section 20j funding for districts with local revenue per pupil that exceeds the sum of its per pupil foundation allowance plus the per pupil allocation under Section 20j(2).

The **membership blend** for FY 2007 is **25%** of the February 8, 2006 supplemental count and **75%** of the September 27, 2006 pupil count, with the same exceptions for PSAs in their 1<sup>st</sup> or 2<sup>nd</sup> year (50%-50% blend of the two *current year counts*) and for districts with a new grade level(s) (50%-50% current year blend *for pupils in the new grade level(s)*) as we have had in the past. Language remains in Section 6(4)(y) which allows for a three-year average blend for declining enrollment districts, but only for those with 4.5 or fewer pupils per square mile. (See below for a description of the **new Declining Enrollment categorical** for other districts.) If a district with 4.5 or fewer pupils per square mile would have a membership blend of less than 1,550 FTEs using the 25%-75% approach, that figure is replaced by the average of the current and two immediately preceding year blends if the average provides a greater number. However, districts receiving funding under **Section 22d** for payments to small, geographically isolated districts are not eligible for the three-year average membership. **The formula for calculating the three year average blend is a straight average of the 25%-75% FY2007, 2006 and FY2005 blends as opposed to using any prior year three-year average blends in the calculation.** Language in Section 6(4)(y) continues which allows a district educating pupils in grades 9 to 12 who reside in a contiguous district that does not operate grades 9 to 12 to request that the Department use the square mileage of both districts in determining the number of pupils per square mile. **NOTE:** Eligibility will be determined automatically as a part of the payment calculation. A listing of the square mile area of all districts is on the MDE web site at [www.michigan.gov/documents/squaremiles\\_11742\\_7.pdf](http://www.michigan.gov/documents/squaremiles_11742_7.pdf).

The **instructional time requirement** for FY 2007 remains at 1,098 hours. However, as has been true since FY 2004, there is **no requirement to be in session a minimum number of days**. The provision allowing a district to count up to 51 hours of teacher professional development time as pupil instruction **has been reduced to 38 hours** except for districts that had a collective bargaining agreement in place prior to August 15, 2006 which provided for more than 38 hours but not more than 51 hours. Those districts may continue to count the higher hours until the expiration of the agreement. The professional development time must be focused on achieving or improving adequate yearly progress or be used for accreditation purposes, achieving highly qualified teacher status under No Child Left Behind, or maintaining teacher certification. Exceptions to the 1,098 hours requirement include:

- *kindergarten pupils*, who are required to be provided 549 hours;
- pupils with *study halls*, who are required to be provided 1,188 hours; and
- high school pupils with an approved *reduced schedule*, who are required to be provided 878.4 hours (823.5 hours for those reduced schedule pupils in a "4-block" program).

Also, up to 3 hours per week of *travel time between instructional sites* can be counted as instructional time for certain pupils; additional travel time may be waived by the Department under certain circumstances. (Joellen Wonsey, (517) 373-3352 or [WonseyJ@Michigan.gov](mailto:WonseyJ@Michigan.gov))

**The payment schedule** continues to provide state school aid payments on the 20<sup>th</sup> of each month from October through August at 1/11<sup>th</sup> of the annualized amount being paid on each of those dates. When the 20<sup>th</sup> of the month falls on a non-business day, the payment will be made on the **immediately preceding business day**. The July and August payments must be accrued to the immediately preceding school fiscal year. The FY 2007 payment dates will be on the 20<sup>th</sup> of each month except for the following dates: Friday, January 19, 2007 and Friday, May 18, 2007. In addition, payments to or on behalf of *Durant* non-plaintiffs will be made on Wednesday, November 15, 2006 and Tuesday, May 15, 2007.

**Categoricals maintained at their FY 2006 levels** include, but are not limited to:

- At-Risk Pupils (31a), \$310,457,000;
- Court Placed Pupils (24), \$8,000,000;
- Bilingual Education (41), \$2,800,000 in state funds;
- Vocational Education (61a), \$30 million.

**Categoricals increased from their FY 2006 levels** include,

- Michigan School Readiness Program (32d) from \$72.8 million to \$78.8 million;
- ISD General Formula (81) from \$77.7 million to \$80.1 million;
- Math and Science Centers (99) from \$2.5 million to \$3.5 million;
- Great Parents-Great Start (32j) from \$3.3 million to \$5 million;
- Renaissance Zone (26a) from \$45 million to \$50.2 million;
- Adult Education (107) from \$21 million to \$24 million.

**New Categoricals for FY 2007** include,

- Equity Payment (22c) (see description above) \$20 million;
- Declining Enrollment (29) (see description below) \$20 million;
- Middle School Math Initiative (99c) (see description below) \$20 million.

New for FY 2007 is a **Declining Enrollment (Section 29)** categorical that allocates \$20 million to districts that are not eligible for the three-year average blend under Section 6(4)(y) or the geographically isolated district funding under Section 22d. To receive Section 29 funding, districts must have a decline in membership from FY 2005 to FY 2006 and a decline in membership from FY 2006 to FY 2007. The payment will be based on the difference between a three-year average blend and the regular blended membership times the district's foundation. However, it is expected that this categorical funding will be prorated significantly as the \$20 million appropriation is considerably less than the statewide eligibility. No application is necessary. Eligibility will be determined by the department based on data submitted to the CEPI.

**The Section 29 Declining Enrollment allowances** that appear on the October 2006 State Aid Financial Status Reports **should be considered preliminary**. That is because we used the September 2005 pupil count as an estimate of the September 2006 pupil count in the

determination of eligibility and the calculation of the allowance amounts. These preliminary amounts will change as we receive the September unaudited pupil counts (due by November 15, 2006) and again when we receive the audited pupil counts (due by March 14, 2007).

Also new for FY 2007 is the **Middle School Math Initiative (Section 99c)** categorical that allocates \$20 million to improve pupil performance in mathematics. These funds will be paid on a per pupil (6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> grade) basis to local districts. The **preliminary per pupil amount** for this categorical is **\$53.38**. No application is necessary, further guidance is forthcoming. Eligibility will be determined by the department based on data submitted to CEPI.

#### **FINANCIAL INFORMATION DATABASE (FID) REMINDER**

All public schools that received state school aid during FY 2006 are required to electronically submit their financial data to the Financial Information Database (FID) by November 15, 2006. Failure to submit the FID data by that date is cause for the withholding of future state school aid payments (MCL 388.1618(8)). Questions related to the financial data required in this submission may be directed to Glenda Rader at (517) 335-0524 or e-mail at [RaderG@Michigan.gov](mailto:RaderG@Michigan.gov).

At least one staff member must be designated by each district and public school academy to submit data via the FID application. To become authorized, this individual must download and complete a security agreement. The authorization does not have to be renewed each year. To locate the agreement, go to [www.Michigan.gov/CEPI](http://www.Michigan.gov/CEPI), click on "MEIS Data Services" from the left-side navigation bar, and then on "Financial Information Database." In the pink box titled "Upload FID Data to CEPI," click on the "FID Security Agreements" link. Questions related to accessing the system or submission of data to the FID may be directed to the DIT Client Service Center by e-mail [Help-Desk@Michigan.gov](mailto:Help-Desk@Michigan.gov) or phone (517) 335-0505.

#### **POSTING OF BUDGETS TO A WEBSITE**

Language in Section 18(2) of the State School Aid Act now requires local districts, intermediate districts and public school academies to post their annual operating budget and subsequent amendments on their website. Since this section of the act did not take effect until October 1, 2006, the original FY 2007 budget will not require posting to the website. However, the Department encourages schools to post their budgets to their website as soon as possible. In addition, any amendments to the FY 2007 budget approved by the board after October 1, 2006 will require posting to the website. The budget postings should include the General Appropriation Resolutions or budgets with notation indicating when they were adopted by the local school board. This should be done for all funds for which the board adopts a budget. Look for *Michigan Public School Accounting Manual Change Notice 14* soon with further details. Contact Glenda Rader, Office of State Aid and School Finance at (517) 335-0524 or by e-mail at [RaderG@Michigan.gov](mailto:RaderG@Michigan.gov).

#### **GENERAL INFORMATION**

- Districts are required to report by **November 1** to the local health department the **immunization status** of all pupils in grades K-12 who enrolled in the district or ISD for the first time between January 1 and September 30, 2006. (Patty Lawless, (517) 373-1122 or [LawlessP@Michigan.gov](mailto:LawlessP@Michigan.gov)).
- The **FY 2007 SRSD Records (including State Aid FTE Counts)** for the September 27, 2006 count date are due to ISDs on **November 1** and from the ISDs to CEPI on **November 15**. (Mark Glover (517) 373-2469 or [GoverM@Michigan.gov](mailto:GoverM@Michigan.gov))
- **November 1** is the deadline for local district (including PSAs) to file their **FY 2006 financial audit reports** with the ISDs. The **financial and pupil accounting audit reports** are due **November 15** from the ISDs to the Department. Failure to file these reports will result in the withholding of state aid. (Kathy Weller, (517) 335-6858 or [WellerK@Michigan.gov](mailto:WellerK@Michigan.gov)).
- **Proration factors:** Section 56 - Special Education Millage Equalization .9833089581, Section 29 - Declining Enrollment .197309268117, Section 31a - At Risk \$203.8599332617 per pupil.

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\* Do you have questions above the information appearing in this Update? Call the consultants identified above or **Dan Hanrahan, Director, State Aid & School Finance, MDE**, phone : (517) 335-0421 fax (517) 241-0196, e-mail [HanrahanD@Michigan.gov](mailto:HanrahanD@Michigan.gov).